

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL -- MAKE CHANGES AS NECESSARY



W-02033A
Valley Pioneer's Water Company, Inc.
3482 North McNeal Road
Golden Valley AZ 86413

APR 28 2005

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
----	----	------

FOR COMMISSION USE

ANN04	04
-------	----

COMPANY INFORMATION

Company Name (Business Name) VALLEY PIONEERS WATER CO INC

Mailing Address 3482 NORTH MC NEAL ROAD

(Street)

GOLDEN VALLEY

(City)

ARIZONA

(State)

86413

(zip)

928-565-4663

Telephone No. (Include Area Code)

928-565-2971

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address 3482 NORTH MC NEAL ROAD

(Street)

GOLDEN VALLEY

(City)

ARIZONA

(State)

86413

(zip)

928-565-4663

Local Office Telephone No. (Include Area Code)

928-565-2971

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: JOHN CLAYTON

(Name)

MANAGER

(Title)

4260 SHIPP DRIVE

(Street)

GOLDEN VALLEY

(City)

ARIZONA

(State)

86413

(zip)

928-565-4374

Telephone No. (Include Area Code)

928-565-2971

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: JOHN CLAYTON

(Name)

3482 NORTH MC NEAL ROAD

(Street)

GOLDEN VALLEY

(City)

ARIZONA

(State)

86413

(zip)

928-565-4374

Telephone No. (Include Area Code)

928-565-2971

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: JEFFREY A. GOLDBERG

(Name)

730 EAST BEALE

(Street)

KINGMAN

(City)

ARIZONA

(State)

86401

(zip)

928-753-6115

Telephone No. (Include Area Code)

928-753-7991

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: JEFFREY A. GOLDBERG

(Name)

730 EAST BEALE

(Street)

KINGMAN

(City)

ARIZONA

(State)

86401

(zip)

928-753-6115

Telephone No. (Include Area Code)

928-753-7991

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☐ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☒ Other (Describe) NONPROFIT CORPORATION

COUNTIES SERVED

Check the box below for the counties in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☒ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

VALLEY PIONEERS WATER COMPANY, INC.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	\$0.00	\$0.00	\$0.00
302	Franchises	0.00	0.00	0.00
303	Land and Land Rights	98,021.00	0.00	98,021.00
304	Structures and Improvements	197,677.34	79,142.52	118,534.82
307	Wells and Springs	1,710,206.31	576,005.08	1,134,201.23
311	Pumping Equipment	221,870.53	195,980.58	25,889.95
320	Water Treatment Equipment	3,741.04	2,058.01	1,683.03
330	Distribution Reservoirs and Standpipes	390,982.20	172,137.28	218,844.92
331	Transmission and Distribution Mains	1,962,707.47	397,599.66	1,565,107.81
333	Services	291,145.75	42,245.21	248,900.54
334	Meters and Meter Installations	159,198.87	38,680.58	120,518.29
335	Hydrants	10,122.97	298.28	9,824.69
336	Backflow Prevention Devices	0.00	0.00	0.00
339	Other Plant and Misc. Equipment	0.00	0.00	0.00
340	Office Furniture and Equipment	46,113.30	34,186.93	11,926.37
341	Transportation Equipment	81,612.22	40,697.78	40,914.44
343	Tools, Shop and Garage Equipment	13,143.61	6,334.56	6,809.05
344	Laboratory Equipment	0.00	0.00	0.00
345	Power Operated Equipment	37,827.62	33,099.45	4,728.17
346	Communication Equipment	0.00	0.00	0.00
347	Miscellaneous Equipment	5,683.92	503.98	5,179.94
348	Other Tangible Plant	0.00	0.00	0.00
	TOTALS	\$5,230,054.15	\$1,618,969.90	\$3,611,084.25

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	\$0.00	0.00%	\$0.00
302	Franchises	0.00	0.00%	0.00
303	Land and Land Rights	0.00	0.00%	0.00
304	Structures and Improvements	197,677.34	2.47%	4,877.53
307	Wells and Springs	1,710,206.31	3.33%	57,006.88
311	Pumping Equipment	221,870.53	1.40%	3,100.28
320	Water Treatment Equipment	3,741.04	2.50%	93.53
330	Distribution Reservoirs and Standpipes	390,982.20	2.22%	8,688.49
331	Transmission and Distribution Mains	1,962,707.47	1.93%	37,833.53
333	Services	291,145.75	3.23%	9,404.22
334	Meters and Meter Installations	159,198.87	2.46%	3,908.52
335	Hydrants	10,122.97	1.77%	179.26
336	Backflow Prevention Devices	0.00	0.00%	0.00
339	Other Plant and Misc. Equipment	0.00	0.00%	0.00
340	Office Furniture and Equipment	46,113.30	6.97%	3,214.34
341	Transportation Equipment	81,612.22	12.54%	10,233.19
343	Tools, Shop and Garage Equipment	13,143.61	4.84%	636.16
344	Laboratory Equipment	0.00	0.00%	0.00
345	Power Operated Equipment	37,827.62	6.67%	2,521.84
346	Communication Equipment	0.00	0.00%	0.00
347	Miscellaneous Equipment	5,683.92	4.76%	270.67
348	Other Tangible Plant	0.00	0.00%	0.00
	TOTALS	5,132,033.15		141,968.44

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCESHEET

Acct • No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 203,836	\$ 256,248.20
134	Working Funds	162,858	121,543.12
135	Temporary Cash Investments	45,000	45,000.00
141	Customer Accounts Receivable	66,770	23,373.33
146	Notes/Receivables from Associated Companies	0	0.00
151	Plant Material and Supplies	14,393	25,552.07
162	Prepayments	0	0.00
174	Miscellaneous Current and Accrued Assets	3,617	5,002.48
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 496,474	\$ 476,719.20
	FIXED ASSETS		
101	Utility Plant in Service	\$ 4,980,083	\$ 5,230,054.15
103	Property Held for Future Use	0	0.00
105	Construction Work in Progress	9,679	216,327.15
108	Accumulated Depreciation - Utility Plant	(1,493,306)	(1,618,969.90)
121	Non-Utility Property	0	0.00
122	Accumulated Depreciation - Non Utility	0	0.00
	TOTAL FIXED ASSETS	\$ 3,496,456	\$ 3,827,411.40
	TOTAL ASSETS	\$ 3,992,930	\$ 4,304,130.60

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 10,319	\$ 3,880.10
232	Notes Payable (Current Portion)	48,188	48,187.28
234	Notes/Accounts Payable to Associated Companies	0	0.00
235	Customer Deposits	18,170	54,001.35
236	Accrued Taxes	41,200	48,439.23
237	Accrued interest	0	0.00
241	Miscellaneous Current and Accrued Liabilities	0	1,246.00
	TOTAL CURRENT LIABILITIES	\$ 117,877	\$ 155,753.96
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 1,224,420	\$ 1,483,645.05
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$ 0	\$ 0.00
252	Advances in Aid of Construction	617,428	686,044.55
255	Accumulated Deferred Investment Tax Credits	0	0.00
271	Contributions in Aid of Construction	818,962	875,382.91
272	Less: Amortization of Contributions	(313,352)	(337,862.73)
281	Accumulated Deferred Income Tax	0	
	TOTAL DEFERRED CREDITS	\$ 1,123,038	\$ 1,223,564.73
	TOTAL LIABILITIES	\$ 2,465,335	\$ 2,862,963.74
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 0	\$ 0.00
211	Paid in Capital in Excess of Par Value	0	0.00
215	Retained Earnings	1,527,595	1,441,166.86
218	Proprietary Capital (Sole Props and Partnerships)		0.00
	TOTAL CAPITAL	\$ 1,527,595	\$ 1,441,166.86
	TOTAL LIABILITIES AND CAPITAL	\$ 3,992,930	\$ 4,304,130.60

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 819,168	\$ 678,417.15
460	Unmetered Water Revenue	33,199	280,174.72
474	Other Water Revenues	36,514	64,151.20
	TOTAL REVENUES	\$ 888,881	\$ 1,022,743.07
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 199,065	\$ 203,118.38
610	Purchased Water	0	0.00
615	Purchased Power	134,144	230,241.43
618	Chemicals	931	1,265.48
620	Repairs and Maintenance	98,914	169,087.34
621	Office Supplies and Expense	44,345	43,677.82
630	Outside Services	37,123	36,864.34
635	Water Testing	5,506	7,878.60
641	Rents	3,275	19,624.74
650	Transportation Expenses	6,821	13,887.15
657	Insurance - General Liability	12,496	18,775.60
659	Insurance - Health and Life	60,914	60,784.05
666	Regulatory Commission Expense - Rate Case	1,890	1,777.76
675	Miscellaneous Expense	9,394	14,848.21
403	Depreciation Expense	114,328	125,662.78
408	Taxes Other Than Income	19,049	23,680.53
408.11	Property Taxes	37,796	46,434.15
409	Income Tax	0	0.00
	TOTAL OPERATING EXPENSES	\$ 785,991	\$ 1,017,608.36
	OPERATING INCOME/(LOSS)	\$ 102,890	\$ 5,134.71
	OTHER INCOME/(EXPENSE)		
419	interest and Dividend Income	\$ 3,344	\$ 3,432.54
421	Non-Utility Income	49,830	31,771.70
426	Miscellaneous Non-Utility Expenses	0	0.00
427	Interest Expense	(25,443)	(70,345.90)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 27,731	\$ (35,141.66)
	NET INCOME/(LOSS)	\$ 130,621	\$ (30,006.95)

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	04/16/75	04/22/86	05/02/91	10/17/03
Source of Loan	Rural Development RD 91-04	Rural Development RD 91-05	Rural Development RD 91-06	Rural Development RD 91-09
ACC Decision No.				66391
Reason for Loan	System Improvements	System Improvements	System Improvements	System Additions and Improvements
Dollar Amount Issued	\$ 50,000.00	\$ 210,000.00	\$ 250,000.00	\$ 1,033,009.15
Amount Outstanding	\$ 18,336.26	\$ 10,571.27	\$ 204,835.16	\$ 1,033,009.15
Date of Maturity	10/31/12	12/31/05	04/20/28	09/17/43
Interest Rate	5.000 %	6.125 %	5.875 %	4.750 %
Current Year Interest	\$ 1,002.57	\$ 1,487.88	\$ 12,195.89	\$ 11,262.00
Current Year Principle	\$ 2,679.79	\$ 22,450.37	\$ 4,092.91	\$ 0.00

Meter Deposit Balance at Test Year End \$ 75,590.28

Meter Deposits Refunded During the Test Year \$ 12,109.06

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #5	LOAN #6	LOAN #7	LOAN#8
Date Issued	05/03/99	01/25/02		
Source of Loan	Stockmen's Bank	W.I.F.A.		
ACC Decision No.				
Reason for Loan	Well Replacement	System Improvements		
Dollar Amount Issued	\$ 180,000.00	\$ 120,000.00	\$	\$
Amount Outstanding	\$ 155,131.09	\$ 109,947.40	\$	\$
Date of Maturity	04/03/19	01/01/22		
Interest Rate	6.000 %	4.725 %	%	%
Current Year Interest	\$ 8,863.88	\$ 1,613.74	\$	\$
Current Year Principle	\$ 6,184.91	\$ 4,390.60	\$	\$

Meter Deposit Balance at Test Year End \$ _____

Meter Deposits Refunded During the Test Year \$ _____

WATER COMPANY PLANT DESCRIPTIONWELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
5-610757 & 55-610756	60	120		12	3	
5-610756	100	170		12	3	
5-532211	75	84		16	3	
5-623082	350	1,000	1,200	20	6	
5-623083	350	1,000	1,200	20	6	
5-623081	350	1,000	1,200	20	6	

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
7 1/2	14	12	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
500,000	2	n/a	
250,000	1		
125,000	2		
17,000 - 85,000	6		

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2	PVC	27,984
3	PVC	4,680
4	PVC	185,127
5		
6	PVC	148,532
8	PVC	22,495
10		
12	PVC	10,910
	AC	31,680

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 x3/4	1,783
3/4	0
1	7
1 1/2	2
2	12
Comp. 3	1
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Chlorination equipment at each PDE x 4

Chlorination equipment at each booster station x 1

STRUCTURES:

1 - 7,000 square foot warehouse, 2 - 500 sq ft warehouses

1 - 750 square foot office building

5 - 120 square foot booster station buildings

OTHER:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	1,682	10,693,485	10,176,400
FEBRUARY	1,694	8,692,110	12,746,800
MARCH	1,700	8,616,670	10,394,400
APRIL	1,710	15,816,038	15,853,800
MAY	1,701	17,835,562	17,509,000
JUNE	1,717	35,279,540	37,247,900
JULY	1,730	18,710,523	22,835,420
AUGUST	1,732	29,606,037	30,841,570
SEPTEMBER	1,724	20,437,850	23,256,600
OCTOBER	1,742	22,604,742	26,527,500
NOVEMBER	1,737	10,049,020	12,909,800
DECEMBER	1,737	11,480,100	13,868,900
TOTAL		NIA	234,168,090

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes (x) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes (x) No

If yes, provide the GPCPD amount: n/a

What is the level of arsenic for each well on your system. PDE 1 - 0.011 mg/l
(If more than one well, please list each separately)

PDE 2 - 0.015

PDE 3 & 4 - 0.0092

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME VALLEY PIONEERS WATER CO INC

YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 41,398.23

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

COMPANY NAME VALLEY PIONEERS WATER CO INCYEAR ENDING 12/31/2004**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>n/a</u>
Estimated or Actual Federal Tax Liability	<u>n/a</u>

State Taxable Income Reported	<u>n/a</u>
Estimated or Actual State Tax Liability	<u>n/a</u>

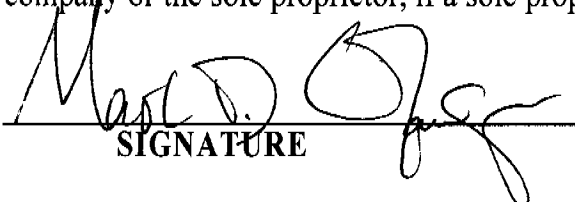
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>0</u>
Amount of Gross-Up Tax Collected	<u>n/a</u>
Total Grossed-Up Contributions/Advances	<u>n/a</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

4-26-05
DATE

MARC GLAWSON
PRINTED NAME

PRESIDENT
TITLE

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

APR 28 2005

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) MOHAVE
NAME (OWNER OR OFFICIAL) TITLE MARC GLAWSON, PRESIDENT
COMPANY NAME VALLEY PIONEERS WATER CO INC

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, **IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:**

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 1,022,743.07

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 59,791.62
IN SALES TAXES BILLED, OR COLLECTED)

"REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

Marc D. Glawson
SIGNATURE OF OWNER OR OFFICIAL
928-565-4663
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

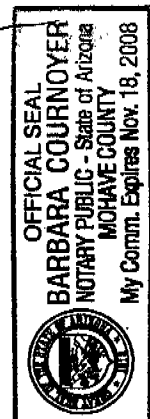
THIS 26 DAY OF

(SEAL)

MY COMMISSION EXPIRES 11-18-08

COUNTY NAME	<i>Mohave</i>
MONTH	<i>April</i> , 2005

Barbara Cournoyer
SIGNATURE OF NOTARY PUBLIC



VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

VERIFICATION

APR 28 2005

STATE OF ARIZONA

1, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO TIRE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

COUNTY OF (COUNTY NAME) MOHAVE	
NAME (OWNER OR OFFICIAL) MARC GLAWSON	TITLE PRESIDENT
COMPANY NAME VALLEY PIONEERS WATER CO INC	

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAUD UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

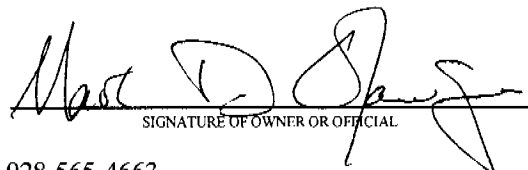
SWORN STATEMENT

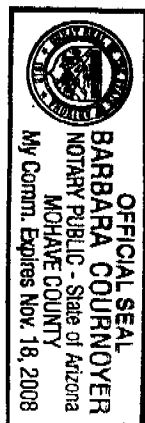
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 1,022,743.07

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 59,791.62
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.


SIGNATURE OF OWNER OR OFFICIAL
928-565-4663
TELEPHONE NUMBER



SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS


26

DAY OF

(SEAL)

MY COMMISSION EXPIRES

NOTARY PUBLIC NAME Barbara Cournoyer	
COUNTY NAME Mohave	
MONTH April	2005


SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.

VALLEY PIONEERS WATER COMPANY, INC.

**FINANCIAL STATEMENTS
WITH
AUDITOR'S REPORT**

**FOR THE YEARS ENDED
December 31, 2004 and 2003**

TABLE OF CONTENTS

Independent auditor's report	1
Statements of financial position	2–3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6–11
Independent auditor's report on additional information	12
Schedule of operating expenses	13
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14 - 15

MOUNTAIN WEST CPAs LTD

(Formerly Henry W. Varga CPA, P.C.)

CERTIFIED PUBLIC ACCOUNTANTS

707 EAST BEALE STREET

KINGMAN, ARIZONA 86401

(928) 753-1001

FAX NO. (928) 753-7923

HENRY M. VARGA CPA DABFE DABFA
GENE NEWMAN CPA CGFM DABFA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARIZONA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN BOARD OF
FORENSIC ACCOUNTING

To The Board of Directors
Valley Pioneers Water Company, Inc.
Golden Valley, AZ 86413-8821

We have audited the accompanying statements of financial position of Valley Pioneers Water Company, Inc. (an Arizona nonprofit corporation) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Pioneers Water Company, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005, on our consideration of Valley Pioneers Water Company, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Mountain West CPAs LTD

March 31, 2005

Valley Pioneers Water Company, Inc.
Statements of Financial Position
As of December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
UTILITY PLANT		
Property, plant and equipment (net)	\$ 3,611,084.25	\$ 3,486,776.96
Construction in progress	216,327.15	9,678.74
TOTAL UTILITY PLANT	<u>3,827,411.40</u>	<u>3,496,455.70</u>
CURRENT ASSETS		
Cash and cash equivalents	377,791.32	366,881.35
Accounts receivable, net	23,373.33	66,769.98
Materials and supplies inventories	25,552.07	14,393.02
TOTAL CURRENT ASSETS	<u>426,716.72</u>	<u>448,044.35</u>
OTHER ASSETS		
Cash in bank - restricted	45,000.00	45,000.00
WIFA debt service reserves	4,400.48	2,828.88
Guaranty deposits	602.00	602.00
TOTAL OTHER ASSETS	<u>50,002.48</u>	<u>48,430.88</u>
TOTAL ASSETS	<u>\$ 4,304,130.60</u>	<u>\$ 3,992,930.93</u>

See accompanying notes and auditor's report

Valley Pioneers Water Company, Inc.
Statements of Financial Position
As of December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,880.10	\$ 10,319.25
Accrued expenses	49,685.23	41,200.35
Current Portion Long-Term Debt	48,187.28	48,188.01
Current Portion customer advances	21,000.00	21,000.00
Customer deposits and prepayments	54,001.35	18,170.34
TOTAL CURRENT LIABILITIES	<u>176,753.96</u>	<u>138,877.95</u>
LONG TERM LIABILITIES		
Notes payable	1,483,645.05	1,224,420.07
TOTAL LONG TERM LIABILITIES	<u>1,483,645.05</u>	<u>1,224,420.07</u>
DEFERRED CREDITS		
Customer advances for construction	665,044.55	596,428.20
TOTAL DEFERRED CREDITS	<u>665,044.55</u>	<u>596,428.20</u>
TOTAL LIABILITIES	<u>2,325,443.56</u>	<u>1,959,726.22</u>
NET ASSETS		
Net assets - temporarily restricted	45,058.87	45,058.87
<u>Net assets - unrestricted</u>		
Contributions in aid of construction (net)	537,520.18	505,609.52
Unrestricted - other	1,426,114.94	1,351,915.98
Current period income/(loss)	<u>(30,006.95)</u>	<u>130,620.34</u>
TOTAL NET ASSETS	<u>1,978,687.04</u>	<u>2,033,204.71</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,304,130.60</u>	<u>\$ 3,992,930.93</u>

See accompanying notes and auditor's report

Valley Pioneers Water Company, Inc.
Statements of Activities
For The Years Ended December 31, 2004
And December 31, 2003

	Year Ended December 31, 2004	Year Ended December 31, 2003
OPERATING REVENUE		
Water - meter sales	678,417.15	819,167.70
Standpipe sales	280,174.72	33,199.21
Fees and charges	50,002.84	35,239.62
Regulators and other income	14,148.36	1,274.39
TOTAL OPERATING REVENUE	<u>1,022,743.07</u>	<u>888,880.92</u>
WATER REVENUE EXPENSE		
Pumping expense	361,776.32	221,610.36
Distribution expense	161,953.36	143,395.80
Administrative expense	317,888.24	287,756.14
TOTAL WATER REVENUE EXPENSE	<u>841,617.92</u>	<u>652,762.30</u>
WATER MAINTENANCE EXPENSE		
Maintenance and repairs	50,327.66	18,901.83
Depreciation	125,662.78	114,327.96
TOTAL WATER MAINTENANCE EXPENSE	<u>175,990.44</u>	<u>133,229.79</u>
TOTAL OPERATING REVENUE DEDUCTIONS	<u>1,017,608.36</u>	<u>785,992.09</u>
NET WATER OPERATING INCOME	<u>5,134.71</u>	<u>102,888.83</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest, membership fees, and miscellaneous income	10,693.52	9,011.09
Amortization	24,510.72	44,163.18
Interest expense	(70,345.90)	(25,442.76)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(35,141.66)</u>	<u>27,731.51</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>(30,006.95)</u>	<u>130,620.34</u>
NET ASSETS AT BEGINNING OF YEAR	2,033,204.71	1,764,569.66
Amortization of Contributions in Aid of Construction	(24,510.72)	138,014.71
NET ASSETS AT END OF YEAR	<u>\$ 1,978,687.04</u>	<u>\$ 2,033,204.71</u>

See accompanying notes and auditor's report

Valley Pioneers Water Company, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (30,006.95)	\$ 130,620.34
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:		
Depreciation	125,662.78	114,327.96
Amortization	(24,510.72)	(44,163.18)
Losses (Gains) on sales of		
Decrease (Increase) in		
Operating Assets:		
Accounts Receivable	43,396.65	(32,136.01)
Inventory	(11,159.05)	11.07
Increase (Decrease) in		
Operating Liabilities:		
Accounts Payable	(6,439.15)	5,596.24
Customer deposits and prepayments	35,831.01	(822.50)
Other Accrued Expenses	8,484.88	133.86
Total Adjustments	<u>171,266.40</u>	<u>42,947.44</u>
Net Cash Provided By (Used in)		
Operating Activities	141,259.45	173,567.78
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(249,970.07)	(878,241.48)
(Increase)/decrease in construction in progress	<u>(206,648.41)</u>	<u>81,521.26</u>
Net Cash Provided By (Used In)		
Investing Activities	(456,618.48)	(796,720.22)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in long-term debt	259,224.25	669,590.49
Increase/(decrease) in customer advances for construction	68,616.35	(136,164.41)
Increase/(decrease) in contributions in aid of construction	-	182,177.89
(Increase)/decrease in debt service reserves	<u>(1,571.60)</u>	<u>(1,885.92)</u>
Net Cash Provided By (Used In)		
Financing Activities	<u>326,269.00</u>	<u>713,718.05</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,909.97	90,565.61
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>411,881.35</u>	<u>321,315.74</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 422,791.32</u>	<u>\$ 411,881.35</u>
DETAIL OF CASH ACCOUNTS		
Cash and cash equivalents	\$ 377,791.32	\$ 366,881.35
Cash in bank - restricted	45,000.00	45,000.00
Total Cash Accounts	<u>\$ 422,791.32</u>	<u>\$ 411,881.35</u>
Interest paid	\$ 70,345.90	\$ 25,442.76

See accompanying notes and auditor's report

VALLEY PIONEER'S WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Valley Pioneer's Water Company, Inc., (the Corporation), is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in preparation of the financial statements.

Business Activity

The Corporation is a tax exempt, non-profit utility corporation with no stockholders and is engaged in the sale of water to its members and others located within the geographic franchise area allocated by the Arizona Corporation Commission.

Inventories

Inventories consist primarily of materials and supplies used in the installation and repair of water lines and meters are stated at cost on a first-in, first-out method of inventory valuation.

Property, Plant And Equipment

Property, plant and equipment are carried at cost. Assets costing in excess of \$600 are capitalized by the Organization. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Structures and improvements	30 years
Wells and springs	30 years
Electric pumping equipment	8 years
Water treatment equipment	40 years
Distribution reservoirs	45 years
Transmission and distribution mains	50 years
Services	30 years
Meters	40 years
Hydrants	50 years
Office furniture and fixtures	7 years
Computers and software	5 years
Transportation equipment	5 years
Tools and work equipment	20 years
Power operating equipment	15 years

See accompanying auditor's report

**VALLEY PIONEER'S WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Corporation is exempt from federal income tax under section 501(c)(12), therefore no provision has been made for federal income taxes.

Plant Construction

The Corporation currently constructs most line extensions with its own equipment and labor. This includes activities paid for with construction advances. As a result of these activities, a portion of indirect overhead has been capitalized with the cost of construction.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - CASH IN BANK - RESTRICTED

The Corporation maintains savings accounts at various financial institutions as a reserve to ensure that sufficient funds are available to meet the annual amounts due on loans from the Department of Agriculture, Farmers Home Administration. It is required that one year's payments be reserved for notes #91-04 and #91-05 totaling \$13,780. It is required that an amount be reserved at the rate of 10% of one annual installment each year for notes #91-06 and #91-09. The amount to be reserved for the twelve months ending December 31, 2004 is \$22,996, for a total reserve requirement of \$36,776. The amount reserved for the twelve months ending December 31, 2004 was \$45,000.

Accounts are also maintained as a reserve to ensure that sufficient funds are available to meet the amounts due to the Water Infrastructure Finance Authority of Arizona.

Restricted funds on hand on December 31, 2004 and 2003 were sufficient to satisfy the reserve requirements.

NOTE 3 - CUSTOMER ADVANCES FOR CONSTRUCTION

In order to extend its water lines to new customers, the Corporation accepts lump sum amounts from the customers for line construction and meter installations. The amounts are repaid to the customers through a credit on their water usage or an annual payment. The amounts at December 31, 2004 and December 31, 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Estimated amount payable during the current year	\$ 21,000	\$ 21,000
Amounts payable subsequently	<u>665,045</u>	<u>596,428</u>
	\$ <u>686,045</u>	\$ <u>617,428</u>

See accompanying auditor's report

VALLEY PIONEER'S WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant, equipment and accumulated depreciation is as follows:

	2004	2003
	<u>Cost</u>	<u>Cost</u>
Land and land rights	\$ 98,021.00	\$ 98,021.00
Structures and improvements	197,677.34	197,677.34
Wells and springs	1,710,206.31	1,710,206.31
Electric pumping equipment	221,870.53	202,631.23
Equipment	43,511.54	40,262.17
Transportation equipment	81,612.22	72,682.88
Distribution reservoirs	390,982.20	390,982.20
Tools	13,143.61	12,302.72
Transmission and distribution mains	1,962,707.47	1,780,413.40
Services	291,145.75	273,107.30
Meters	159,198.87	153,481.75
Hydrants	10,122.97	3,163.46
Computer equipment	17,359.33	17,359.31
Office furniture	28,753.97	24,051.97
Water treatment equipment	<u>3,741.04</u>	<u>3,741.04</u>
	5,230,054.15	4,980,084.08
Less accumulated depreciation	<u>(1,618,969.90)</u>	<u>(1,493,307.12)</u>
	<u>\$ 3,611,084.25</u>	<u>\$ 3,486,776.96</u>

Depreciation charged to expense for the years ended December 31, 2004 and 2003 totaled \$141,968.44 and \$114,327.96 respectively.

NOTE 5 - NOTES PAYABLE

Notes payable are summarized as follows:

	<u>2004</u>	<u>2003</u>
FmHA - note #91-04, dated 4/16/75, 5% note in an original amount of \$50,000, payable in monthly installments of \$247 including interest, matures in 2012.	18,336	21,016

See accompanying auditor's report

VALLEY PIONEER'S WATER COMPANY, INC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 5 - NOTES PAYABLE - CONTINUED

	<u>2004</u>	<u>2003</u>
FmHA - note #91-05, dated 4/22/86, 6.125% note in an original amount of \$210,000, payable in monthly installments of \$1,521 including interest, matures in 2005.	10,571	33,022
FmHA - note #91-06, dated 5/2/91, 5.875% note in an original amount of \$250,000, payable in monthly installments of \$1,355 including interest, matures in 2028.	204,836	208,928
FmHA - note #91-09, dated 10/17/03, 4.75% note in an original amount of \$1,198,000, of which \$1,033,009 has been drawn, payable in monthly installments of \$5,613 including interest, matures in 2043.	1,033,009	720,000
The notes to FmHA (now Rural Development) are secured by real estate mortgages or deeds of trust on the fixed assets of the Corporation.		
W.I.F.A. Loan - #920065-02 dated 1/25/02, in an original amount of \$120,000 with a combined interest rate and fee rate of 4.725%, payable in 66 monthly installments of \$942.94 and 94 monthly installments of \$785.79, Secured by a deed of trust and personal property of the Corporation. Matures in 2015.	109,947	113,894
The Stockmen's Bank -- note dated 5/3/99, original amount of \$180,000 at the prime interest rate adjusted annually, payable monthly at \$1,279 Secured by a deed of trust on real and personal property of the Corporation. Matures in 2020.	155,131	162,400
	1,531,830	1,272,608
Less Current Portion:	<u>(48,187)</u>	<u>(48,188)</u>
Long Term Portion	<u>\$1,483,643</u>	\$ <u>1,224,420</u>

See accompanying auditor's report

VALLEY PIONEER'S WATER COMPANY, INC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 5 - NOTES PAYABLE - CONTINUED

Current maturities of long-term debt occur as follows:

	<u>2004</u>	<u>2003</u>
2004	\$ -	\$ 48,188
2005	48,187	34,976
2006	39,554	19,948
2007	41,619	20,269
2008	43,794	20,270
2009	46,083	21,417
2010-2014	251,601	119,882
2015-2019	314,685	148,321
2020-2024	277,442	73,494
2025-2029	310,296	45,843
2030-2032	<u>158,569</u>	<u>-</u>
Sub-total	1,531,830	552,608
Pending loan	<u>-</u>	<u>720,000</u>
Total notes payable	<u>\$ 1,531,830</u>	<u>\$ 1,272,608</u>

NOTE 6 - CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction received subsequent to December 31, 1979, are stated at the amount of funds received. However, historical values prior to that date were not available. The values were established through the use of a cost basis appraisal of fixed assets for property taxes, rate setting by the Arizona Corporation Commission and by establishing the cost of other assets and liabilities at the date. Contributions are amortized at the rate of 2.8% of the account ending balance. Amortization for the years ended December 31, 2004 and 2003 were \$21,232 and \$24,511 respectively. Total amortization for the periods ended December 31, 2003 was reported in the statement of activities in 2003.

NOTE 7- COMMITMENTS

On January 7, 1991, the Corporation entered into a franchise agreement with Mohave County for twenty-five years permitting the Corporation the drilling, maintenance and operation of a water distribution system to serve a specific area in Golden Valley, Arizona. The annual fee for this use is two percent (2%) of gross receipts; the amount accrued for 2004 is \$20,251. The 2003 accrual was \$17,833.

VALLEY PIONEER'S WATER COMPANY, INC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 8 – BAD DEBTS

Accounts receivable are written off directly as management deems the account is uncollectible. An allowance for delinquent accounts has been set by management. Bad debt for the years ended December 31, 2004 and 2003 was \$4,503 and \$655 respectively.

NOTE 9 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 10 - CONCENTRATIONS

The corporation occasionally maintains deposits in excess of federally insured limits. Statements of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Corporation's revenues and receivables are principally from customers located within Golden Valley, Arizona.

NOTE 11 – PENSION PLAN

During 2001, the Company established a SIMPLE retirement plan that covers all employees. Employees may elect to defer a portion of their gross pay under the plan. The Company matches up to 2% of the employee's gross pay. Pension expenses for 2004 and 2003 were \$4,116 and \$3,867 respectively.

MOUNTAIN WEST CPAs LTD

(Formerly Henry W. Varga CPA, P.C.)

CERTIFIED PUBLIC ACCOUNTANTS

707 EAST BEALE STREET

KINGMAN, ARIZONA 86401

(928) 753-1001

FAX NO. (928) 753-7923

HENRY M. VARGA CPA DABFE DABFA
GENE NEWMAN CPA CGFM DABFA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARIZONA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN BOARD OF
FORENSIC ACCOUNTING

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Valley Pioneer's Water Company, Inc.
Golden Valley, Arizona

Our report on our audit of the basic financial statements of Valley Pioneer's Water Company, Inc. as of December 31, 2004 and 2003 appears on page 1. We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The operating expense schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mountain West CPAs LTD

Mountain West CPAs, Ltd
March 31, 2005

VALLEY PIONEERS WATER COMPANY, INC.
OPERATING EXPENSE SCHEDULE
For The Years Ended December 31, 2004
And December 31, 2003

Year Ended Year Ended
December 31, 2004 December 31, 2003

WATER REVENUE EXPENSE

PUMPING EXPENSE

Utility expense	230,241.43	134,144.33
Pumping labor	7,033.00	10,818.75
Pumping maintenance and miscellaneous	124,501.89	76,647.28
TOTAL PUMPING EXPENSE	361,776.32	221,610.36

DISTRIBUTION EXPENSE

Wages	144,396.44	136,211.54
Testing and water treatment	9,144.08	6,437.71
Maintenance and other expense	(7,181.75)	641.55
Engineering/surveying	15,594.59	105.00
TOTAL DISTRIBUTION EXPENSE	161,953.36	143,395.80

ADMINISTRATIVE EXPENSE

Advertising	189.96	379.65
Bad debts	4,503.24	655.00
Bank charges and loan fees	5,644.44	3,633.96
Contributions	-	150.00
Dues and publications	952.75	539.03
Continuing education	1,505.20	1,194.14
Employee benefits	62,014.24	61,727.74
Fuel and oil	13,887.15	6,821.47
Freight	4,023.75	1,061.21
Insurance	21,660.96	15,548.87
Legal and accounting	11,826.40	31,910.50
Maintenance and repairs	10,882.89	7,829.47
Miscellaneous	6,236.24	4,145.10
Rent	15,422.54	768.55
Supplies	22,819.13	31,981.56
Taxes	73,677.39	59,349.84
Telephone and utilities	9,660.62	7,273.41
Uniforms	1,292.40	752.22
Wages	51,688.94	52,034.42
TOTAL ADMINISTRATIVE EXPENSE	317,888.24	287,756.14

WATER MAINTENANCE EXPENSE

Maintenance materials	40,884.31	13,795.24
Maintenance - sublet repairs	9,443.35	5,106.59
TOTAL WATER MAINTENANCE EXPENSE	50,327.66	18,901.83

See accompanying notes and auditor's report

MOUNTAIN WEST CPAs LTD

(Formerly Henry W. Varga CPA, P.C.)

CERTIFIED PUBLIC ACCOUNTANTS

707 EAST BEALE STREET

KINGMAN, ARIZONA 86401

(928) 753-1001

FAX NO. (928) 753-7923

HENRY M. VARGA CPA DABFE DABFA
GENE NEWMAN CPA CGFM DABFA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARIZONA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN BOARD OF
FORENSIC ACCOUNTING

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Valley Pioneers Water Company, Inc.
Golden Valley, AZ 86413-8821

We have audited the Statements of Financial Position and the related Statements of Activities and cash flows of Valley Pioneers Water Company, Inc., for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Valley Pioneers Water Company, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Valley Pioneers Water Company, Inc., in a separate letter dated March 31, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Valley Pioneers Water Company, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Board of Directors
March 31, 2005

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance that we have reported to management of Valley Pioneers Water Company, Inc., in a separate letter dated March 31, 2005.

This report is intended solely for the information and use of the Board of Directors and Management of the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mountain West CPAs LTD

Mountain West CPAs LTD
Kingman, Arizona
March 31, 2005